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By: **Delegate James (Chairman, Joint Committee on Pensions)**

Introduced and read first time: February 11, 2004

Assigned to: Appropriations

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A BILL ENTITLED

1 AN ACT concerning

2                                   **State Retirement and Pension System - Administrative and Operational**  
3                                   **Expenses - Allocation of Cost**

4 FOR the purpose of altering the means for allocating the cost of certain  
5 administrative and operational expenses of the State Retirement and Pension  
6 System; and generally relating to the allocation of cost for administrative and  
7 operational expenses of the State Retirement and Pension System.

8 BY repealing and reenacting, with amendments,  
9 Article - State Personnel and Pensions  
10 Section 21-315  
11 Annotated Code of Maryland  
12 (1997 Replacement Volume and 2003 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
14 MARYLAND, That the Laws of Maryland read as follows:

15                                   **Article - State Personnel and Pensions**

16 21-315.

17 (a) The Board of Trustees shall credit to the expense fund of each State system  
18 its pro rata share of:

19 (1) the amount provided in the annual State budget to pay the  
20 administrative and operational expenses of the Board of Trustees and the State  
21 Retirement Agency;

22 (2) the amounts authorized by the Board of Trustees under this section  
23 for investment management services; and

24 (3) the amount authorized by the Board of Trustees to implement a  
25 closing agreement with the Internal Revenue Service regarding former members of  
26 the Employees' Retirement System or the Teachers' Retirement System who elected to  
27 become members of or participate in those State systems under former Article 73B, §§  
28 2-206 and 3-206 of the Code.

1 (b) The Board of Trustees shall pay from the expense fund of each State  
2 system its pro rata share of:

3 (1) the administrative and operational expenses of the Board of Trustees  
4 and the State Retirement Agency, in accordance with the annual State budget;

5 (2) the amounts as authorized by the Board of Trustees necessary for  
6 investment management services; and

7 (3) the amounts as authorized by the Board of Trustees necessary to  
8 implement a closing agreement with the Internal Revenue Service regarding former  
9 members of the Employees' Retirement System or the Teachers' Retirement System  
10 who elected to become members of or participate in those State systems under former  
11 Article 73B, §§ 2-206 and 3-206 of the Code.

12 (c) Each year the Board of Trustees shall estimate the amount, not exceeding  
13 0.22% of the payroll of members, necessary for the administrative and operational  
14 expenses of the Board of Trustees and the State Retirement Agency.

15 (d) (1) Each quarter of the fiscal year the Board of Trustees shall estimate:

16 (i) one-fourth of an amount, not exceeding 1.2% of the market  
17 value as of the last day of the preceding quarter of assets externally invested in real  
18 estate or alternative investments, necessary for external real estate or alternative  
19 investment management services; and

20 (ii) one-fourth of an amount, not exceeding 0.3% of the market  
21 value as of the last day of the preceding quarter of invested assets that are externally  
22 managed exclusive of assets invested in real estate or alternative investments,  
23 necessary to procure and retain investment management services other than external  
24 real estate or alternative investment management services.

25 (2) In addition to the amount estimated in paragraph (1)(i) of this  
26 subsection, any previously estimated amount that has not been paid to an external  
27 real estate or alternative investment management service by the last day of each  
28 quarter shall be carried over into the next quarter and added to the new estimate.

29 (e) (1) THE AMOUNTS ESTIMATED UNDER SUBSECTION (C) OF THIS  
30 SECTION SHALL BE PAID INTO THE EXPENSE FUNDS OF THE SEVERAL SYSTEMS  
31 DURING THE ENSUING YEAR ON A PRO RATA BASIS ACCORDING TO THE TOTAL  
32 MEMBERSHIP OF EACH SYSTEM.

33 (2) The amounts estimated under [subsections (c) and (d)] SUBSECTION  
34 (D) of this section shall be paid into the expense funds of the several systems during  
35 the ensuing year on a pro rata basis according to the total assets held by each system.

36 (f) The Board of Trustees may combine the expense funds of the several  
37 systems for budgetary and administrative efficiency.

1 (g) On or before December 31 of each year, the Board of Trustees shall report  
2 to the General Assembly the actual amount spent for investment management  
3 services during the preceding fiscal year.

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
5 July 1, 2004.